



# PSC NEWS

## Missouri Public Service Commission

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### **PSC DENIES AQUILA REQUEST TO PLEDGE MISSOURI REGULATED ASSETS**

Jefferson City (February 24, 2004)---The Missouri Public Service Commission has denied a request filed by Aquila, Incorporated which sought Commission authority to assign, transfer, pledge, mortgage or encumber its Missouri utility assets to secure debt. The Commission determined that to approve the application would be detrimental to the public interest. "The detriment to the public interest," the Commission's order states, "is the unreasonable risk of harm to Missouri ratepayers compared to the minimal benefit Aquila would receive."

On April 30, 2003, Aquila, Incorporated filed an application with the Public Service Commission asking the Commission to allow it to pledge its Missouri regulated assets to support a \$430 million, three-year Term Loan, and a \$100 million, 364-day Term Loan. Aquila stated it needed the loan to meet its working capital needs.

The Commission's order states, "The unreasonable risk of harm includes the possibility that Missouri's regulated assets alone would support Aquila's \$430 million dollar loan. That loan includes money for Aquila's non-regulated businesses. Aquila's Missouri ratepayers alone might shoulder the burden of Aquila's financial difficulty, including a potential default on the note, or even bankruptcy. That burden could include a loss of service, since the loan agreement arguably allows the creditor to bypass the Commission, and immediately foreclose upon and sell the assets. In contrast, Aquila would receive little, if any, benefit. That is because other states have already allowed Aquila to pledge enough regulated assets to meet the collateral ratio in the term loan agreement, and to receive the 75 basis point reduction." The Commission's order also notes that the public would also suffer a detriment because the pledge would over-collateralize the loan.

Aquila, Incorporated provides electric service to approximately 280,000 customers, natural gas service to approximately 52,200 customers and steam service to approximately 6 customers in Missouri.

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